Avoided Forest Conversion through Smart Growth Offset Program
(7/25/08 version with added footnotes)

The Forestry Working Group recommends that the State develop a program to provide incentives to local jurisdictions that reduce pressure for forest conversion within the state and thus statewide GHG emissions from forest conversion. The program would be funded initially through State seed grants to participating cities and counties and later through the issuance and sale by the state of emission reduction credits amassed on a project-by-project basis based on the transfer of development rights from forest land to non-forested land within Urban Growth Areas (UGAs) and the permanent conservation of working forest land through forest conservation easements. Because the program would be targeted at the county and city level, it would match desired land use outcomes with emission reduction incentives.

I. Recommended Offset Program Policy

1. The State should establish a program that credits on a project-by-project basis emission reductions due to avoided forest conversions achieved through Smart Growth policies, based on Transfer of Development Rights (TDR) into Urban Growth Areas (UGAs) where growth is already expected to occur, to ensure permanent working forest conservation while accommodating displaced development in a smaller carbon footprint.

2. Emission reductions would be credited on a project-by-project basis and require: (a) a transfer of development rights from working forest land[1] that is at high risk of conversion to non-forested land within a UGA; and (b) permanent conservation of the forest land through a forest conservation easement.[2] Local jurisdictions would receive credit if they maintain a Smart Growth program that meets state standards and implemented the program in a way that facilitated an avoided conversion transaction meeting the above test. The State would bundle these reductions and sell them as emission reduction credits on the national or international offset market and distribute the revenues back to the participating jurisdictions based on actual development right transfers and conservation easements accomplished. The State would also provide money to participating jurisdictions, to encourage early adoption while avoiding issuance of credits that are not based on actual conversion avoidance.

3. Participating jurisdictions would be allowed to use program revenue for specific uses that meet program objectives, such as program implementation, planning or addressing TDR receiving area needs.

4. Recommended features:
    A. Program requirements and performance standards should promote permanent, verifiable reduction of statewide emissions from forest conversion that are not subject to leakage from displaced development. Performance standards should address essential features of a qualified TDR program and conservation easement.

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[1] The incentive for the landowner to avoid conversion would be the revenue received from the sale of the development rights.

[2] As described during the subgroup conference call on 7/28/08, both the TDR and the conservation easement would be accomplished in the context of a single transaction. The easement would be a *forestry* conservation easement (allowing any forest practices consistent with other laws). The easement would be perpetual.

B. A statewide baseline and monitoring program for forest conversion emissions that takes into account county-specific conversion rates and risks, and tracking of emission reductions achieved through TDR.
C. Data needs for jurisdictional reporting requirements of forest conversion trends and forest conservation achieved through TDR.
D. Allocation of program revenue to participating jurisdictions, based on actual development right transfers and conservation easements accomplished.
E. Standards for all GMA-planning counties, and cities within these jurisdictions, to adopt TDR policies to promote forest conservation, including standards to address
   a. Leakage: demonstration that the displaced development has been accommodated in a smaller carbon footprint.
   b. Permanence: standards for conservation easement language, monitoring and enforcement funding, and eligible holders.
F. Means for ensuring that jurisdictions acting to advance forest conservation through TDR be prioritized for the State's limited infrastructure resources.

2. Tracking, Calculating and Crediting of reductions in emissions from forest conversion

A. Emission reductions should be tracked and calculated against emissions from "traditional", business-as-usual conversion of the forest land area in the state, based on county-level assessments. The assessment and monitoring should:
   a. Be based on a combination of Forest Inventory Assessment (FIA) data, forest zoning and Current Use Taxation (CUT) data, and parcel-level data currently being developed by UW College of Forest Resources in partnership with the Family Forest Foundation.
   b. Include information about current zoning, issuance of rural <u>and</u> forest zone building permits or other proxies for establishing background rate of conversion at the county level.
   c. Include information on lot and road clearing generated from traditional rural and forest zone development.
B. Crediting of reductions should be based on verification of working forest conservation easements achieved by TDR, through a process approved by WCI.
C. The state should
   a. Award funds to participating jurisdictions on a project-by-project basis based on actual development right transfers and conservation easements accomplished.
   b. Sell emission credits equivalent to reductions in statewide forest conversion emissions confirmed through applications submitted by participating jurisdictions.
D. If the State-wide forest conversion monitoring does not indicate an overall reduction in forest conversion trends over a trial period (e.g. 10 to 15 years) the program should be terminated or modified and improved.